

# Human Resources Playing Bigger, More Strategic Role

BY DAVE ULRICH AND WAYNE BROCKBANK

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**H**uman resources personnel are on the threshold of a powerful transformation that will require shifting from delivering internal services to creating bottom-line value for internal and external constituencies. It's an opportunity they cannot afford to ignore because HR's traditional administrative and transactional responsibilities — managing payroll, benefit plans, staffing and training — are

being centralized, automated, reengineered and outsourced. To survive and thrive in this environment, HR departments must embrace an emerging role in which they directly support core corporate strategies, drive key business objectives and help their companies capture competitive advantages. This change already is underway at

leading companies, and its reach will expand in coming years.

The Ross School of Business' ongoing "Human Resources Competency Study," the largest global survey of its kind, suggests that HR professionals, for the most part, are operating under old rules and

expectations. The survey has found that HR professionals perform best in the "competency categories" of personal credibility and HR delivery, which have only a moderate influence on business performance. They are less effective as strategic contributors in areas that potentially have greater impact on business performance.

To avoid irrelevance, HR must evolve into a full strategic player and contributor within the business by creating sustained value for all stakeholders — investors, customers, line managers and employees. This value proposition represents a pro-



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found shift in emphasis from what HR does to the results it delivers, and has serious implications for HR leader-

ship. This new paradigm requires HR professionals to look beyond their own beliefs and goals and align their activities with the interests and needs of the company's stakeholders, including key customers, shareholders and internal units such as finance, sales, product development and marketing. Value, after all, is defined by the recipient, not the giver.

To achieve this, human resources needs a clear line of sight to the marketplace, including knowledge of external business realities, the competitive landscape, customer attitudes and investor expectations. Without this perspective, HR cannot consistently instill within a company the human and organizational capabilities needed to generate products, services and results demanded in the marketplace. A business-savvy HR drives bottom-line results by helping the organization outperform the competition.

The HR value proposition is built upon five elements that help personnel contribute to the creation of stakeholder value:

**EXTERNAL BUSINESS REALITIES:**

External factors — including globalization, technological advances, shifting demographics and changing economic and regulatory environments — create challenges and opportunities for companies. HR personnel need to understand these business realities so they can put their practices into a meaningful context and tie them to competitive challenges and management concerns.



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## The Right Focus

Survey results show a mismatch between what HR professionals do more effectively and activities that have the greatest influence on business performance.

Competency Category	HR Effectiveness (1 = low; 5 = high)	Impact on Business Performance
Strategic Contribution	3.65	43%
Personal Credibility	4.13	23%
HR Delivery	3.69	18%
Business Knowledge	3.44	11%
HR Technology	3.02	5%

SOURCE: THE UNIVERSITY OF MICHIGAN HUMAN RESOURCES COMPETENCY STUDY

**STAKEHOLDERS:** HR is successful when stakeholders perceive it produces value. For investors, value includes intangibles that bode well for future revenues and share price: leadership, innovation, efficiency, talent and speed. For customers, value is derived from a company's reliability, responsiveness, personal attention and other attributes. Employees receive value from HR activities that enhance their individual abilities and create organizational capabilities that help them execute corporate strategy.

HR professionals need to create practices that increase intangible value, facilitate meaningful connections with customers, enable line managers to reach strategic objectives and prepare employees to be more effective, efficient and productive.

**PRACTICES:** To establish HR processes that underpin the creation of value, HR professionals should consider the flow of people, performance management, information and work within their organization. Close attention to the ways people move in, through, up and out of the company, for example, ensures that talent is available to execute corporate strategies. Meanwhile, linking employee performance measures, standards, feedback and rewards to stakeholder interests is a primary way for HR to support corporate objectives. Proper attention to how information flows through the organization ensures that people know what is happening, and why, so they can apply themselves to the tasks that create

## Human Resources: A New View

Human resources professionals deliver real value when they address these questions:

- What organizational capabilities does my company need to create products and services that result in customers turning to us instead of our competitors?
- What abilities do our employees need to respond effectively to short- and long-term market demands?
- How do we create a strategy that will enable HR to help our company succeed?
- How do we invest in HR practices and organize HR activities that deliver business results?
- How do we ensure HR professionals know what to do and have the skills to do it?

value. Finally, focusing on the flow of work—how and where it is done and who does it—allows a company to provide the processes, setting and accountability that combine individual efforts into meaningful organizational results.

**RESOURCES:** The HR function needs a strategic planning process that aligns HR investments with business objectives. Most high-performing firms target their HR strategy and resources to advance a clear understanding of their desired corporate culture — such as the

## Developing HR Professionals to Advance the HR Value Proposition

Here are examples of learning activities for five HR competencies:

### 1. STRATEGIC CONTRIBUTION

Identify new ways your managers and employees need to behave in order to achieve their goals and outperform their competitors. Visit customers to elicit direct feedback about company performance.

### 2. PERSONAL CREDIBILITY

Elicit feedback from colleagues on a key dimension of your interpersonal skills. Act on the feedback. Don't be defensive. Translate the feedback into simple and focused action.

### 3. HR DELIVERY

Interview five line executives on what characteristics they need from employees and configure a measurement process that will identify and track those characteristics. Identify those employees who create 90 percent of company wealth. Interview representatives of that group to determine what they desire in financial and non-financial rewards. Design customized rewards for those individuals.


### 4. BUSINESS KNOWLEDGE

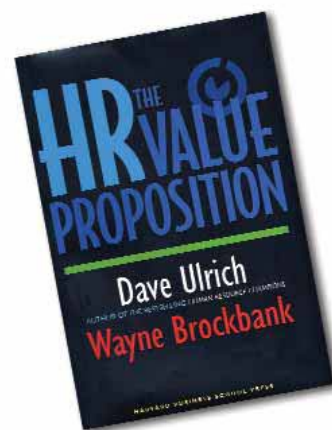
Conduct a value chain analysis. Where in the value chain does your company outperform your competitors and vice versa? Where in the value chain is it most important to outperform the competition? Work with your company's investment officer to identify the buy, hold or sell criteria of dominant shareholders.

### 5. HR TECHNOLOGY

Chart the flow of information in your HR department and identify the points at which technology might be applied more effectively.

Hewlett-Packard Way, the Johnson & Johnson Credo and General Electric's Speed, Simplicity and Self-Confidence. The Human Resource Competency Study found that the HR agenda with the greatest impact on business performance is a culture-based HR strategy.

**PROFESSIONALISM:** Emerging roles played by HR personnel include employee advocate, developer of human capital, strategic partner who helps managers at all levels achieve their goals, and functional expert who designs HR practices that develop individual and organizational capabilities. Combining these four roles creates a fifth role: a leader who drives the HR function while effectively collaborating with other units within the company. 



## Learn More About Strategic Human Resource Leadership

Wayne Brockbank and Dave Ulrich co-direct the Ross School Executive Education's Center for Strategic Human Resource Leadership and two two-week programs within the center: the HR Executive Program and the Advanced HR Executive Program.

The Center for Strategic Human Resource Leadership's areas of focus include value-added HR agendas and practices, clarity of HR competencies and roles that drive performance, measuring the value added by HR, results-based leadership, identifying and creating economic intangibles through effective leadership and HR practices, and best practices in executive coaching.

To enroll or read about the center's offerings, including the Advanced Human Resource Executive Program scheduled for October 30–November 10, 2006, visit the Executive Education Web site, [www.execed.bus.umich.edu](http://www.execed.bus.umich.edu).